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Phil Mickelson isn't the only future former Californian

10:35 AM 01/23/2013



Chuck DeVore

Fmr. California State Assemblyman

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California voters approved a \$50 billion tax hike in November, bestowing the highest marginal income tax rate in the nation on California taxpayers -13.3 percent.

Now professional golfer Phil Mickelson is thinking of leaving the state. He's fortunate. He can practice his chosen profession in any region where snow doesn't cover the ground for too long, and if he moves to Texas or Florida, his state income tax will drop to zero.

Mickelson won't be the first pro golfer to leave California. Tiger Woods, who used to live in my old Orange County legislative district, moved to Florida in 1996.

California's ruling Democrats will, of course, scoff at Mickelson. Vice President Joe Biden might even intimate that Michelson is unpatriotic for not wanting to pay a higher tax rate.

And the members of California's ruling class will comfort themselves by saying they still have Hollywood and Silicon Valley, and *they* seem willing to pay the price to live in paradise. (Never mind that Hollywood has sought, and won, tax subsidies in exchange for keeping business in the Golden State.)

But what about the average Californians hit by the recent sales tax, income tax and vehicle tax boosts? How are they faring?

California's official unemployment rate, 9.8 percent, is the third highest in the nation. In comparison, Texas' official rate stands at 6.1 percent. For 72 consecutive months, the Lone Star State's unemployment rate has been below the national average.

California Gov. Jerry Brown gets understandably defensive about California's jobs picture. In a recent radio interview, Brown sought to downplay Texas' employment success by claiming that "ten or eleven" percent of all Texas workers earn at or below the minimum wage. This stale meme, first offered by New York Times columnist Paul Krugman, is false. Krugman himself admitted as much in a correction issued about a week after he wrote a column attacking Texas.

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Once Texas' much lower cost-of-living is accounted for, the picture becomes even clearer. California has the third-highest cost-of-living in the nation, after Hawaii and New York. The cost-of-living is 42 percent higher in California than it is in Texas, most of that due to hyper-restrictive land use policies and fees that artificially drive up California's housing costs. This means California's hourly minimum wage of \$8.00 effectively buys \$6.06 of goods and services while Texas' lower minimum wage of \$7.25 can buy \$8.04 of goods and services. (My book, "The Texas Model: Prosperity in the Lone Star State and Lessons for America," details this and many other points.)

Cost-of-living is also an important variable in the U.S. Census Bureau's new method of measuring poverty. The Census' Supplemental Poverty Index, released a week after the election, pegs California's poverty rate at an astounding and nation-leading 23.5 percent, higher than even the District of Columbia and far higher than Texas' 16.5 percent, even though California and Texas have very similar demographic profiles.

U-Haul offers a free-market measure of the relative success of state public policies. Renting a 20-foot moving van from Altadena, California to Austin, Texas costs \$1,768. Going from Texas to California costs \$656. U-Haul has to pay people to "dead head" empty trucks from Texas back to California to meet demand. In fact, some two

million more Americans left California in the past 10 years than moved into the state. That's a lot of empty-moving-van trips.

One last illustration brings home California's coming pain. Most people know that California enacted the largest state tax increase in history last November. What few know is that California enacted a two-year tax hike in February 2009 at the height of the recession. When that tax hike quietly expired in 2011, it was likely the biggest tax cut at the state level in history.

Here's where things get really interesting.

Starting with the end of the recession in June 2009, there were 19 months where California had higher taxes followed by 23 months of lower taxes. Then, last December, small business owners' taxes spiked back up. The employment data for this period speaks volumes. During the low-tax months, the number of jobs in California increased by 2.7 percent, the number of jobs in Texas increased by 4.3 percent and the number of jobs in the U.S. as a whole, minus the two biggest states, increased by 2.4 percent. So California did pretty well, slightly outpacing the national average.

But, during the 20 months of higher taxes, California lost about 1.1 percent of its jobs while Texas, which held the line on spending instead of increasing taxes, added 1.2 percent more jobs while the other 48 states lost 0.4 percent of their jobs.

So after the recession's official end, California lost jobs at almost triple the pace of the rest of the nation when it had higher taxes but it gained jobs faster than the national average during the two years when its taxes were lower.

Will Sacramento pay attention? Probably not. The current crowd in power conflates the health of the state government's balance sheet with the health of the state's economy.

They will soon learn that their massive tax increase is shrinking the state's tax base by driving not only the Phil Mickelsons of the world out of California, but thousands of working people too.

Chuck DeVore served in the California State Assembly from 2004 to 2010 and is now the vice president of communications for the <u>Texas Public Policy Foundation</u>. His new book, "<u>The Texas Model: Prosperity in the Lone Star State and Lessons for America</u>," is available on Amazon.com.

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16th amendment • 5 hours ago

It's high time I left. I can get a similar salary (maybe 10% less) in Austin or Dallas.

Your analysis says that the Texas minimum wage buys 8 effective dollars of goods, and the CA minimum wage buys 6 effective dollars of goods. Where I live around San Francisco, I think the disparity is greater because housing is so expensive.

Public workers are paid like crazy. Doctors and cops in SF routinely make 250k or more. Even muni bus workers make a ton. And then there 90% to 100% of your final year salary when you retire. It's gonna cost us \$500B over 10 years per the CA government accountants, which means it will really cost us more. No efforts to end pension spiking, overtime abuses, etc. There are no public servants in California; there are only public masters. They are the masters of us, the slave holders of us all.

It is estimated to cost \$1 BILLION to build one mile of railway in SF. Which means it will really end up costing \$2B. In all local/state measures last November, it was a win for big government.

I also says that Clinton got away with raising rates because the internet boom was in the works. So much money was coming in that he could get away with higher rates. But if there's nothing in the works, a tax increase has got to hurt. It was the economy that made Clinton great, not Clinton that made the economy great. Be warned!



Lettie - Stefan → 16th amendment • an hour ago

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Snoop8765 • 3 hours ago

The Cali progressive political class is about to get a lesson in economic reality, and that socialist state is going to tank just like Greece. The makers are leaving, period. No bail out for Cali ever!!!

3 ^ | V • Reply • Share •



WHATTHEBLANK • 7 hours ago

fornias earners have been voting against the the out of control spending and taxing by leaving phil made the mistake of voicing his opinion and was attacked by the all to understanding and caring left he should have just moved out like many other middle class earners in fornia are doing

the lefts motto on free speech;

free speech for me

but not for thee

3 ^ Peply • Share



MovingToNevada • 4 hours ago

The CA legislature is drunk with power. Supermajority power that is. They're currently tripping over themselves trying to figure out what to tax next, or which fees to hike. Oh yeah, they will also change the constitution to allow a 55% majority voter approval (instead of the current 67%) for local tax/bond hike measures as well. Nothing but tax, tax, tax here.

5 ^ 1 v • Reply • Share



Joe • 2 hours ago

Mickelson isn't the first and he certainly won't be the last. At some point, politicians will begin to realize that high taxes are killing their tax base. The beauty of America is that citizens can vote with their feet. Good luck, liberals!

2 ^ Reply • Share



ggm281 • 2 hours ago

People keep assuming that Californians are coming to Texas. Those with "decent jobs" are going to CO and WA, not TX if you look at the net migration data from the IRS for the past decade. They may be eager to leave the taxes behind, but not eager enough that they're willing embrace evangelical conservative neighbors!

1 ^ Reply • Share



Chuck DeVore → ggm281 • 29 minutes ago

Your contention is incorrect. The U.S. Census Bureau gathers information on where Americans move and the number one state to which former Californians flee is Texas. This has been true since 2000. Look at the data.

1 ^ Peply • Share



WHATTHEBLANK → ggm281 • an hour ago

at the end of the day

where they move is irrelevant

why they moved is very relevant

the whole point of the move is to keep from financing the lost cause that is fornia

fornia and its super majority dem legislature and governor can raise taxes and fees all they want but its not going to help

future unfunded liabilities by way of pensions and other costs are going to bankrupt fornia

not if but when

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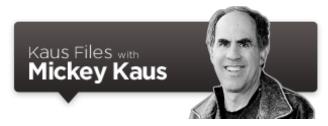
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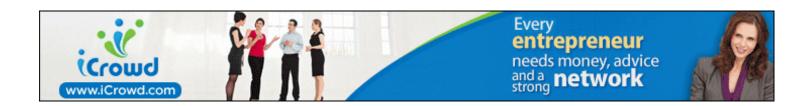
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